



Texas Democratic Party

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JUN 11 10 31 AM '99

June 10, 1999

MUA 4899

Lawrence Noble, Esq.
General Counsel
Federal Election Commission
999 E Street, NW
Washington, DC 20463

Dear Mr. Noble:

This letter will supplement the earlier complaint (copy attached) filed by the Texas Democratic Party against Texans for Good Government PAC, Floyd E. Hodges, Jr., Ed Hodges, Rep. Pete Sessions, Loretta S. Campbell, Heidi M. Lange, George W. Strake, Jr., Jack Rains, Al G. Hill, Jr., Orlando Sanchez, Ray Allen, Ron Clark, Gary Elkins, Will Hartnett, Talmadge Haflin, Carl Islett, and Elvira Rayna (collectively "Respondents").

In that complaint, the Texas Democratic Party provided evidence that Respondents had violated the federal campaign laws by operating as a state PAC, raising corporate and other funds illegal under the federal campaign laws, while spending its funds to influence federal elections.

The attached news story¹ further confirms that the violation set out in the earlier complaint occurred. In the article, Ed Hodges, executive director of Texans for Good Government, is quoted as saying that the Committee registered with the Federal Election Commission in January 1999, but "is not active and has not raised money." Mr. Hodges states that the Committee had not yet raised the \$1,000 necessary to require registration with the FEC. He confirms that all money raised to date has been for the state committee, not the federally-registered committee. Mr. Hodges attempts to defend the activities of his Committee by saying it engages solely in "issue advocacy."

Yet, as set out in the earlier complaint, the Committee sent out during this same period a letter explicitly advocating the defeat of Martin Frost, ("We can defeat Martin Frost..."), held a fundraiser featuring a federal candidate, Representative Pete Sessions (with fundraising categories named after the House Office Buildings - Cannon, Longworth, Rayburn), and sent additional letters to raise funds alerting readers to a "Five Alarm List" - a list consisting entirely of Democratic Members of Congress.

¹ Associated Press, "Texas Democrats file complaint accusing Republicans of campaign violations," 6/3/99.

Mr. Hodges has now admitted that the Committee used nonfederal funds to conduct its activities. Their solicitations asked specifically for contributions from "corporations and foundations." We ask again that the FEC take swift action to remedy these violations and to prevent their recurrence.

Very truly yours,

Molly Beth Malcolm

Molly Beth Malcolm
Chair
Texas Democratic Party

State of Texas
County of Travis

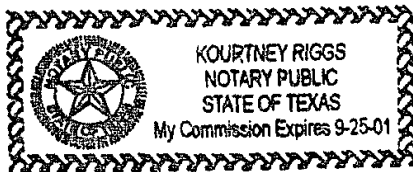
Subscribed and sworn to before me this 10th day of June
1999.

Kourtney Riggs

Notary Public

My commission expires:

9-25-01



COMPASS**Document 1 of 492.****The Associated Press State & Local Wire**

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June 3, 1999, Thursday, AM cycle**SECTION: State and Regional****LENGTH: 602 words****HEADLINE: Texas Democrats file complaint accusing Republicans of campaign violations****BYLINE: By MICHELLE MITTELSTADT, Associated Press Writer****DATELINE: WASHINGTON****BODY:**

The Texas Democratic Party has filed a complaint with the Federal Election Commission alleging that a Texas political action committee directed by Republicans is violating federal campaign laws by illegally using "soft" money to target congressional Democrats.

The complaint also charges that Texans for Good Government PAC broke the law by engaging in federal election activity while registered only as a state political action committee. The group's executive director on Thursday denied the Democrats' accusations.

State Democratic Party Chairwoman Molly Beth Malcolm termed the group, which has a number of prominent Texas Republicans on its board, a "stealth Republican PAC that is willing to use a misleading name and break federal campaign finance laws."

"This PAC is nothing more than a partisan front group that is raising illegal money to target Democratic congressmen under the guise of good government," she said.

Federal law prohibits the use of "soft money" - unregulated donations that political parties and others use to fund political activities - to directly advocate the election or defeat of individual federal candidates.

Texans for Good Government's executive director, Ed Hodges, denied any wrongdoing by his issue advocacy group or its similarly named PAC. The PAC, which registered with the FEC in January, is not active and has not raised money, he said.

While Democrats accused the organization of filing as a state committee to "evade the more onerous

source restrictions and amount limits of federal law," Hodges said FEC officials informed him an issue advocacy group has no federal filing requirement.

"Texans for Good Government is not advocating the election or the defeat of anybody. What we are merely saying is we have got a pattern here where Democrats and certain members of Congress are voting against cutting taxes and that is not something that we support," said Hodges, who served as Sen. Phil Gramm's political director and notes his ties to Gramm in a fund-raising solicitation. Gramm's office said the senator has no affiliation with the group.

"It's purely issue advocacy," Hodges added. "To this point, all Texans for Good Government has done is push fiscal issues, is advocate less taxes and less spending."

But a Jan. 5 solicitation on Texans for Good Government letterhead explicitly advocates the defeat of Rep. Martin Frost of Dallas, the House's third-ranking Democrat. "We can defeat Martin Frost, but to do so we must expose his liberal votes in Congress," says the letter, which the Democrats included in their FEC complaint.

Hodges refused to discuss the letter. "I can't address that until I see the complaint and, quite frankly, look through my files to see what letters have gone out," he said.

In a press release Thursday, Frost said he was "deeply troubled by efforts to blatantly violate our election laws by the inappropriately named Texans for Good Government PAC."

"This sham Republican PAC is another example of a disturbing trend: In their attempts to keep their tenuous hold on power, Republicans are increasingly brazen in their disregard for election laws," Frost added.

Democrats also challenged a fund-raising solicitation for an April 30 event billed as a "Salute to Pete Sessions," who is a Republican congressman from Dallas. In a mailing for that event, Texans for Good Government requested contributions for its "efforts to gain a Texas GOP congressional majority in the year 2000."

An FEC spokeswoman confirmed receipt of the complaint but said the agency could not comment pending completion of its review.

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